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The Honorable Curtis Collier
United Sates District Court
Eastern District of Tennessee
900 Georgia Avenue, Room 253
Chattanooga, TN 37402

September 24, 2018

Dear Judge Collier,

I am writing to follow up on my letter of July 6, 2018. I am the Chairman of Knight/Swift Transportation. In my previous letter, I wrote that Mark has been a huge supporter of our industry and made it better. I write now to explain that further.

Under Mark's watch, Pilot implemented its "direct bill" program, which saved companies, and the industry as a whole, millions of dollars in transaction fees. Before direct bill, trucking companies charged their fuel costs using outside billing companies, which charged transaction fees. The exact transaction fees varied over time and by company, depending on the size of the company (and its volume of charges) and its negotiating power and sophistication. Knight/Swift generally paid very low transaction fees, given its size (it is the largest truckload carrier in the United States) and negotiating power. Even so, direct bill saved Knight millions of dollars over the years. For other companies, the transaction fees were significantly higher, so their relative savings was even greater.

Under Mark, Pilot also offered trucking companies hedging opportunities. Under that program, which Pilot's competitors did not offer, Knight /Swift did a hedge in 2010 that saved it more than $1 million.

Under Mark, Pilot also offered credit directly to customers. We received 14-day credit terms from Pilot, whereas billing companies had to be repaid on the same day as the charges. Those 14-day credit terms equates to approximately $5 million in cash flow when the price of fuel is at $4.00/gallon.

These innovations all saved Knight/Swift, and the trucking industry as a whole, hundreds of millions of dollars. However, Mark's biggest and most beneficial innovation was the introduction of discounts in fuel pricing. Prior to Mark introducing this concept, I'm aware of no other truck stops at the time offering a "cost plus" discount where our price is connected to independently priced local fuel 'rack' prices. I understand that the issue here is that not all of the promised rebates or discounts were actually provided to customers. But even in those instances, companies would likely still have been paying less than at the regular pump, giving them significant savings. In addition, since the savings introduced by Pilot's discount program was so large, other truck stop companies were forced to follow Pilot's lead. This made prices

lower for trucking companies all around. One significant benefit of the "cost plus" discount program that Pilot implemented is that it enabled trucking companies to benefit immediately from falling oil prices, as opposed to waiting for pump prices to drop, which naturally took some time in a steep declining oil price environment. Trucking companies see an economic benefit as the fuel surcharge catches up, while fuel prices decline. This was very significant in, for example, the second half of 2008, when oil peaked at $147 in July and crashed to $32 five months later. Companies, like Knight/Swift, on the "cost plus" discount program that Mark had generously agreed to, were able to take immediate advantage of the price drop, since their pricing was tied to OPIS average costs. In my view, this discounting approach—which Pilot's competitors were forced to follow—saved the industry many hundreds of millions of dollars over the years.

In addition, even where trucking companies did not get their full discounts, the amount of the withheld discount would have to be very large to have a material impact. For a company as large as Knight/Swift (which approximately has 19,000 trucks), the amount of the withheld discount would have to be millions of dollars per year to have a material impact on our business. Anything smaller would just be at the margins and would not have a material impact on the company. For a much smaller company (of 100-300 trucks), I would expect that the withheld discount would still have to be at least $500 thousand to $1 million dollars before it arguably could have a material impact on the company's business.

I hope that you will consider this in making the decision on Mark's sentence.

Sincerely,

Kevin Knight